

SENATE SUBSTITUTE  
FOR  
HOUSE BILL NO. 1460

AN ACT

To repeal sections 142.803 and 143.121, RSMo, and to enact in lieu thereof two new sections relating to taxation, with a referendum clause.

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BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF MISSOURI,  
AS FOLLOWS:

1           Section A. Sections 142.803 and 143.121, RSMo, are repealed  
2 and two new sections enacted in lieu thereof, to be known as  
3 sections 142.803 and 143.121, to read as follows:

4           142.803. 1. A tax is levied and imposed on all motor fuel  
5 used or consumed in this state as follows:

6           (1) Motor fuel, seventeen cents per gallon until June 30,  
7 2019. For the fiscal year beginning on or after July 1, 2019,  
8 and ending on or before June 30, 2020, such tax shall be nineteen  
9 and one-half cents per gallon. For the fiscal year beginning on  
10 or after July 1, 2020, and ending on or before June 30, 2021,  
11 such tax shall be twenty-two cents per gallon. For the fiscal  
12 year beginning on or after July 1, 2021, and ending on or before  
13 June 30, 2022, such tax shall be twenty-four and one-half cents  
14 per gallon. For all fiscal years beginning on or after July 1,  
15 2022, such tax shall be twenty-seven cents per gallon. The state  
16 portion of the revenue generated by the increases in the rate of  
17 tax beginning July 1, 2019, shall be used for the actual cost of  
18 the state highway patrol in administering and enforcing any state

1 motor vehicle laws and traffic regulations;

2 (2) Alternative fuels, not subject to the decal fees as  
3 provided in section 142.869, with a power potential equivalent of  
4 motor fuel. In the event alternative fuel, which is not commonly  
5 sold or measured by the gallon, is used in motor vehicles on the  
6 highways of this state, the director is authorized to assess and  
7 collect a tax upon such alternative fuel measured by the nearest  
8 power potential equivalent to that of one gallon of regular grade  
9 gasoline. The determination by the director of the power  
10 potential equivalent of such alternative fuel shall be prima  
11 facie correct;

12 (3) Aviation fuel used in propelling aircraft with  
13 reciprocating engines, nine cents per gallon as levied and  
14 imposed by section 155.080 to be collected as required under this  
15 chapter;

16 (4) Compressed natural gas fuel, five cents per gasoline  
17 gallon equivalent until December 31, 2019, eleven cents per  
18 gasoline gallon equivalent from January 1, 2020, until December  
19 31, 2024, [and then] seventeen cents per gasoline gallon  
20 equivalent from January 1, 2025, until December 31, 2025, and  
21 then twenty-seven cents per gasoline gallon equivalent  
22 thereafter. The gasoline gallon equivalent and method of sale  
23 for compressed natural gas shall be as published by the National  
24 Institute of Standards and Technology in Handbooks 44 and 130,  
25 and supplements thereto or revisions thereof. In the absence of  
26 such standard or agreement, the gasoline gallon equivalent and  
27 method of sale for compressed natural gas shall be equal to five  
28 and sixty-six-hundredths pounds of compressed natural gas. All

1 applicable provisions contained in this chapter governing  
2 administration, collections, and enforcement of the state motor  
3 fuel tax shall apply to the tax imposed on compressed natural  
4 gas, including but not limited to licensing, reporting,  
5 penalties, and interest;

6 (5) Liquefied natural gas fuel, five cents per diesel  
7 gallon equivalent until December 31, 2019, eleven cents per  
8 diesel gallon equivalent from January 1, 2020, until December 31,  
9 2024, [and then] seventeen cents per diesel gallon equivalent  
10 from January 1, 2025, until December 31, 2025, and then twenty-  
11 seven cents per diesel gallon equivalent thereafter. The diesel  
12 gallon equivalent and method of sale for liquefied natural gas  
13 shall be as published by the National Institute of Standards and  
14 Technology in Handbooks 44 and 130, and supplements thereto or  
15 revisions thereof. In the absence of such standard or agreement,  
16 the diesel gallon equivalent and method of sale for liquefied  
17 natural gas shall be equal to six and six-hundredths pounds of  
18 liquefied natural gas. All applicable provisions contained in  
19 this chapter governing administration, collections, and  
20 enforcement of the state motor fuel tax shall apply to the tax  
21 imposed on liquefied natural gas, including but not limited to  
22 licensing, reporting, penalties, and interest;

23 (6) Propane gas fuel, five cents per gallon until December  
24 31, 2019, eleven cents per gallon from January 1, 2020, until  
25 December 31, 2024, [and then] seventeen cents per gallon from  
26 January 1, 2025, until December 31, 2025, and then twenty-seven  
27 cents per gallon thereafter. All applicable provisions contained  
28 in this chapter governing administration, collection, and

1 enforcement of the state motor fuel tax shall apply to the tax  
2 imposed on propane gas including, but not limited to, licensing,  
3 reporting, penalties, and interest;

4 (7) If a natural gas, compressed natural gas, liquefied  
5 natural gas, electric, or propane connection is used for fueling  
6 motor vehicles and for another use, such as heating, the tax  
7 imposed by this section shall apply to the entire amount of  
8 natural gas, compressed natural gas, liquefied natural gas,  
9 electricity, or propane used unless an approved separate metering  
10 and accounting system is in place.

11 2. Notwithstanding any provision of law to the contrary,  
12 beginning on January 1, 2026, all motor fuels and alternative  
13 fuels, including, but not limited to, gasoline, diesel fuel,  
14 electricity, hydrogen, propane, compressed natural gas, and  
15 liquified natural gas, shall be taxed at substantially the  
16 equivalent rate. The department of agriculture, in cooperation  
17 with the department of revenue, shall where necessary promulgate  
18 a rule on or before December 31, 2023, to implement the  
19 provisions of this subsection. Any rule or portion of a rule, as  
20 that term is defined in section 536.010 that is created under the  
21 authority delegated in this section shall become effective only  
22 if it complies with and is subject to all of the provisions of  
23 chapter 536, and, if applicable, section 536.028. This section  
24 and chapter 536 are nonseverable and if any of the powers vested  
25 with the general assembly pursuant to chapter 536, to review, to  
26 delay the effective date, or to disapprove and annul a rule are  
27 subsequently held unconstitutional, then the grant of rulemaking  
28 authority and any rule proposed or adopted after August 28, 2018,

1 shall be invalid and void.

2 3. All taxes, surcharges and fees are imposed upon the  
3 ultimate consumer, but are to be precollected as described in  
4 this chapter, for the facility and convenience of the consumer.  
5 The levy and assessment on other persons as specified in this  
6 chapter shall be as agents of this state for the precollection of  
7 the tax.

8 4. In order to ensure that the revenues generated by this  
9 section are used for their designated purposes, the state auditor  
10 shall biennially audit such funds and provide a report to the  
11 general assembly. Such report may be included as part of an  
12 audit of a department or agency receiving such funds.

13 143.121. 1. The Missouri adjusted gross income of a  
14 resident individual shall be the taxpayer's federal adjusted  
15 gross income subject to the modifications in this section.

16 2. There shall be added to the taxpayer's federal adjusted  
17 gross income:

18 (1) The amount of any federal income tax refund received  
19 for a prior year which resulted in a Missouri income tax benefit;

20 (2) Interest on certain governmental obligations excluded  
21 from federal gross income by Section 103 of the Internal Revenue  
22 Code (26 U.S.C. Section 103, as amended). The previous sentence  
23 shall not apply to interest on obligations of the state of  
24 Missouri or any of its political subdivisions or authorities and  
25 shall not apply to the interest described in subdivision (1) of  
26 subsection 3 of this section. The amount added pursuant to this  
27 subdivision shall be reduced by the amounts applicable to such  
28 interest that would have been deductible in computing the taxable

1 income of the taxpayer except only for the application of Section  
2 265 of the Internal Revenue Code (26 U.S.C. Section 265, as  
3 amended). The reduction shall only be made if it is at least  
4 five hundred dollars;

5 (3) The amount of any deduction that is included in the  
6 computation of federal taxable income pursuant to Section 168 of  
7 the Internal Revenue Code (26 U.S.C. Section 168) as amended by  
8 the Job Creation and Worker Assistance Act of 2002 to the extent  
9 the amount deducted relates to property purchased on or after  
10 July 1, 2002, but before July 1, 2003, and to the extent the  
11 amount deducted exceeds the amount that would have been  
12 deductible pursuant to Section 168 of the Internal Revenue Code  
13 of 1986 (26 U.S.C. Section 168) as in effect on January 1, 2002;

14 (4) The amount of any deduction that is included in the  
15 computation of federal taxable income for net operating loss  
16 allowed by Section 172 of the Internal Revenue Code of 1986 (26  
17 U.S.C. Section 172), as amended, other than the deduction allowed  
18 by Section ~~172(b)(1)(G)~~ 172(b)(1)(F) and Section ~~172(i)~~  
19 172(h) of the Internal Revenue Code of 1986 (26 U.S.C. Section  
20 172), as amended, for a net operating loss the taxpayer claims in  
21 the tax year in which the net operating loss occurred or carries  
22 forward for a period of more than twenty years and carries  
23 backward for more than two years. Any amount of net operating  
24 loss taken against federal taxable income but disallowed for  
25 Missouri income tax purposes pursuant to this subdivision after  
26 June 18, 2002, may be carried forward and taken against any  
27 income on the Missouri income tax return for a period of not more  
28 than twenty years from the year of the initial loss; and

1           (5) For nonresident individuals in all taxable years ending  
2 on or after December 31, 2006, the amount of any property taxes  
3 paid to another state or a political subdivision of another state  
4 for which a deduction was allowed on such nonresident's federal  
5 return in the taxable year unless such state, political  
6 subdivision of a state, or the District of Columbia allows a  
7 subtraction from income for property taxes paid to this state for  
8 purposes of calculating income for the income tax for such state,  
9 political subdivision of a state, or the District of Columbia.

10           3. There shall be subtracted from the taxpayer's federal  
11 adjusted gross income the following amounts to the extent  
12 included in federal adjusted gross income:

13           (1) Interest or dividends on obligations of the United  
14 States and its territories and possessions or of any authority,  
15 commission or instrumentality of the United States to the extent  
16 exempt from Missouri income taxes pursuant to the laws of the  
17 United States. The amount subtracted pursuant to this  
18 subdivision shall be reduced by any interest on indebtedness  
19 incurred to carry the described obligations or securities and by  
20 any expenses incurred in the production of interest or dividend  
21 income described in this subdivision. The reduction in the  
22 previous sentence shall only apply to the extent that such  
23 expenses including amortizable bond premiums are deducted in  
24 determining the taxpayer's federal adjusted gross income or  
25 included in the taxpayer's Missouri itemized deduction. The  
26 reduction shall only be made if the expenses total at least five  
27 hundred dollars;

28           (2) The portion of any gain, from the sale or other

1 disposition of property having a higher adjusted basis to the  
2 taxpayer for Missouri income tax purposes than for federal income  
3 tax purposes on December 31, 1972, that does not exceed such  
4 difference in basis. If a gain is considered a long-term capital  
5 gain for federal income tax purposes, the modification shall be  
6 limited to one-half of such portion of the gain;

7 (3) The amount necessary to prevent the taxation pursuant  
8 to this chapter of any annuity or other amount of income or gain  
9 which was properly included in income or gain and was taxed  
10 pursuant to the laws of Missouri for a taxable year prior to  
11 January 1, 1973, to the taxpayer, or to a decedent by reason of  
12 whose death the taxpayer acquired the right to receive the income  
13 or gain, or to a trust or estate from which the taxpayer received  
14 the income or gain;

15 (4) Accumulation distributions received by a taxpayer as a  
16 beneficiary of a trust to the extent that the same are included  
17 in federal adjusted gross income;

18 (5) The amount of any state income tax refund for a prior  
19 year which was included in the federal adjusted gross income;

20 (6) The portion of capital gain specified in section  
21 135.357 that would otherwise be included in federal adjusted  
22 gross income;

23 (7) The amount that would have been deducted in the  
24 computation of federal taxable income pursuant to Section 168 of  
25 the Internal Revenue Code (26 U.S.C. Section 168) as in effect on  
26 January 1, 2002, to the extent that amount relates to property  
27 purchased on or after July 1, 2002, but before July 1, 2003, and  
28 to the extent that amount exceeds the amount actually deducted



1 pursuant to Section 168 of the Internal Revenue Code (26 U.S.C.  
2 Section 168) as amended by the Job Creation and Worker Assistance  
3 Act of 2002;

4 (8) For all tax years beginning on or after January 1,  
5 2005, the amount of any income received for military service  
6 while the taxpayer serves in a combat zone which is included in  
7 federal adjusted gross income and not otherwise excluded  
8 therefrom. As used in this section, "combat zone" means any area  
9 which the President of the United States by Executive Order  
10 designates as an area in which Armed Forces of the United States  
11 are or have engaged in combat. Service is performed in a combat  
12 zone only if performed on or after the date designated by the  
13 President by Executive Order as the date of the commencing of  
14 combat activities in such zone, and on or before the date  
15 designated by the President by Executive Order as the date of the  
16 termination of combatant activities in such zone;

17 (9) For all tax years ending on or after July 1, 2002, with  
18 respect to qualified property that is sold or otherwise disposed  
19 of during a taxable year by a taxpayer and for which an  
20 additional modification was made under subdivision (3) of  
21 subsection 2 of this section, the amount by which additional  
22 modification made under subdivision (3) of subsection 2 of this  
23 section on qualified property has not been recovered through the  
24 additional subtractions provided in subdivision (7) of this  
25 subsection; and

26 (10) For all tax years beginning on or after January 1,  
27 2014, the amount of any income received as payment from any  
28 program which provides compensation to agricultural producers who

1 have suffered a loss as the result of a disaster or emergency,  
2 including the:

- 3 (a) Livestock Forage Disaster Program;
- 4 (b) Livestock Indemnity Program;
- 5 (c) Emergency Assistance for Livestock, Honeybees, and  
6 Farm-Raised Fish;
- 7 (d) Emergency Conservation Program;
- 8 (e) Noninsured Crop Disaster Assistance Program;
- 9 (f) Pasture, Rangeland, Forage Pilot Insurance Program;
- 10 (g) Annual Forage Pilot Program;
- 11 (h) Livestock Risk Protection Insurance Plan; and
- 12 (i) Livestock Gross Margin insurance plan.

13 4. There shall be added to or subtracted from the  
14 taxpayer's federal adjusted gross income the taxpayer's share of  
15 the Missouri fiduciary adjustment provided in section 143.351.

16 5. There shall be added to or subtracted from the  
17 taxpayer's federal adjusted gross income the modifications  
18 provided in section 143.411.

19 6. In addition to the modifications to a taxpayer's federal  
20 adjusted gross income in this section, to calculate Missouri  
21 adjusted gross income there shall be subtracted from the  
22 taxpayer's federal adjusted gross income any gain recognized  
23 pursuant to Section 1033 of the Internal Revenue Code of 1986 (26  
24 U.S.C. Section 1033), as amended, arising from compulsory or  
25 involuntary conversion of property as a result of condemnation or  
26 the imminence thereof.

27 7. (1) As used in this subsection, "qualified health  
28 insurance premium" means the amount paid during the tax year by

1 such taxpayer for any insurance policy primarily providing health  
2 care coverage for the taxpayer, the taxpayer's spouse, or the  
3 taxpayer's dependents.

4 (2) In addition to the subtractions in subsection 3 of this  
5 section, one hundred percent of the amount of qualified health  
6 insurance premiums shall be subtracted from the taxpayer's  
7 federal adjusted gross income to the extent the amount paid for  
8 such premiums is included in federal taxable income. The  
9 taxpayer shall provide the department of revenue with proof of  
10 the amount of qualified health insurance premiums paid.

11 8. (1) Beginning January 1, 2014, in addition to the  
12 subtractions provided in this section, one hundred percent of the  
13 cost incurred by a taxpayer for a home energy audit conducted by  
14 an entity certified by the department of natural resources under  
15 section 640.153 or the implementation of any energy efficiency  
16 recommendations made in such an audit shall be subtracted from  
17 the taxpayer's federal adjusted gross income to the extent the  
18 amount paid for any such activity is included in federal taxable  
19 income. The taxpayer shall provide the department of revenue  
20 with a summary of any recommendations made in a qualified home  
21 energy audit, the name and certification number of the qualified  
22 home energy auditor who conducted the audit, and proof of the  
23 amount paid for any activities under this subsection for which a  
24 deduction is claimed. The taxpayer shall also provide a copy of  
25 the summary of any recommendations made in a qualified home  
26 energy audit to the department of natural resources.

27 (2) At no time shall a deduction claimed under this  
28 subsection by an individual taxpayer or taxpayers filing combined

1 returns exceed one thousand dollars per year for individual  
2 taxpayers or cumulatively exceed two thousand dollars per year  
3 for taxpayers filing combined returns.

4 (3) Any deduction claimed under this subsection shall be  
5 claimed for the tax year in which the qualified home energy audit  
6 was conducted or in which the implementation of the energy  
7 efficiency recommendations occurred. If implementation of the  
8 energy efficiency recommendations occurred during more than one  
9 year, the deduction may be claimed in more than one year, subject  
10 to the limitations provided under subdivision (2) of this  
11 subsection.

12 (4) A deduction shall not be claimed for any otherwise  
13 eligible activity under this subsection if such activity  
14 qualified for and received any rebate or other incentive through  
15 a state-sponsored energy program or through an electric  
16 corporation, gas corporation, electric cooperative, or  
17 municipally owned utility.

18 9. The provisions of subsection 8 of this section shall  
19 expire on December 31, 2020.

20 10. Gross income shall not include the value of any prize  
21 or award won by a taxpayer in athletic competition in the  
22 Olympic, Paralympic, or Special Olympic Games. This subsection  
23 shall be known and may be cited as the "Olympic Dream Freedom  
24 Act".

25 Section B. This act is hereby submitted to the qualified  
26 voters of this state for approval or rejection at an election  
27 which is hereby ordered and which shall be held and conducted on  
28 Tuesday next following the first Monday in November, 2018,

1 pursuant to the laws and constitutional provisions of this state  
2 for the submission of referendum measures by the general  
3 assembly, and this act shall become effective when approved by a  
4 majority of the votes cast thereon at such election and not  
5 otherwise.

6 Section C. Pursuant to chapter 116, and other applicable  
7 constitutional provisions and laws of this state allowing the  
8 general assembly to adopt ballot language for the submission of  
9 referendum measures to the voters of this state, the official  
10 summary statement of the act proposed in section A of this act  
11 shall be as follows:

12 "Shall Missouri law be amended to provide for the  
13 funding of Missouri state law enforcement by increasing  
14 the rate of motor fuel tax by two and one half cents  
15 per gallon annually for four years beginning July 1,  
16 2019, and to also exempt Special Olympic, Paralympic,  
17 and Olympic prizes from state taxes?"

18 Section D. Pursuant to chapter 116, and other applicable  
19 constitutional provisions and laws of this state allowing the  
20 general assembly to adopt ballot language for the submission of  
21 referendum measures to the voters of this state, the official  
22 fiscal note summary of the act proposed in section A of this act  
23 shall be as follows:

24 "If passed, this measure will generate at least \$288  
25 million annually to the State Road Fund to provide for  
26 the funding of Missouri state law enforcement and \$123  
27 million annually to local governments for road  
28 construction and maintenance."